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CIA PAPERS PERTINENT TO THE ECONOMIC SUMMIT

1. The only papers CIA is preparing specifically for use in policy preparations for the Economic Summit are a series of articles (Tab A) on the economic and political situation in each of the Big Six and on their views of the issues likely to be discussed at the Summit. These papers are still in draft and subject to change. A brief general perspective on the Summit, based on these papers, suggests that there is little basis for optimism concerning the outcome of the Summit but that a serious failure is also unlikely because expectations are low and the host country, France, whose policies diverge most widely from those of the US, wants to avoid an apparent failure.

2. CIA has done a great deal of work on the East-West economic issues which will be discussed at the Summit. The major relevant papers are shown in Tab B. They include papers on:

- Soviet Bloc Financial Problem as a Source of Western Influence
- The Dependence of the USSR on East-West Trade
- Eastern Europe's Credit Crunch
- Allied Attitudes Toward Export Controls
- Soviet Acquisition of Western Technology
- and articles on West European natural gas demand and alternatives to Soviet gas.

In addition, a paper on the impact of possible Western credit restrictions on Soviet hard currency imports will be ready next week.

3. With regard to energy, papers are included on CIA's assessment of oil market prospects and analysis of oil supply disruptions (Tab C).

4. On trade issues we have articles on the Japanese trade surplus and OECD steel (Tab D).

5. Finally, we have included articles on the OPEC current account balance, which is in the process of changing from surplus to deficit, on the financing outlook for non-OPEC LDCs, and on Mexico's developing financial problem (Tab E). The coincidence of de facto default in Poland and Romania, which in turn impinge on the serious debt problems of East Germany, Hungary, and Yugoslavia, with the already severe problems in Central America and parts of Africa are a source of serious, growing concern on which Summit preparation has not focused.

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